



# **IT Outsourcing in Insurance – Annual Report 2015: The Digital Frontier**

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing  
Annual Report: November 2015 – Preview Deck

# Our research offerings for global services

## ▶ Market Vista™

Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

## ▶ BFSI<sup>1</sup> Information Technology

## ▶ BFSI<sup>1</sup> Business Process

## ▶ Healthcare & Life Sciences

## ▶ Application & Digital

## ▶ Cloud & Infrastructure

## ▶ Global Sourcing

## ▶ Locations Insider™

## ▶ PricePoint™

## ▶ Finance & Accounting

## ▶ Procurement

## ▶ Human Resources

## ▶ Recruitment Process

## ▶ Contact Center

## ▶ Transaction Intelligence

## Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

## Subscription information

- The full report is included in the following subscription(s)
  - **BFSI ITO**
- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
- If you want to learn whether your organization has a subscription agreement or request information on pricing and subscription options, please contact us



### Corporate Headquarters

Office: +1-214-451-3000

[info@everestgrp.com](mailto:info@everestgrp.com)



### European Headquarters

Office: +44-207-129-1318

[unitedkingdom@everestgrp.com](mailto:unitedkingdom@everestgrp.com)

<sup>1</sup> Banking, financial services, and insurance

# Background and scope of the research

---

## Background of the research

Rising customer expectations, tight margins, pricing pressure, threat from new entrants, uncertain economy, and increasing regulatory requirements are the key challenges faced by the insurance industry. To address these challenges, insurance firms are investing in technology solutions and adopting disruptive business models looking to contain cost, improve customer experience, and profitability. The insurance firms have invested in next-generation technologies to stay ahead of competition. The rise of the sharing economy, as a result of technology advancements, poses as both an opportunity as well as a challenge for the insurance firms. The insurance companies have invested in cyber-security, risk & compliance management solutions, automation, cloud & open source technologies, mobility, big data & analytics, Internet of Things (IoT), and social media as they focused on cost reduction, product differentiation, security, and compliance.

As the insurance industry is warming up to adopt digital technology themes such as big data analytics, mobility, IoT, cloud, AI, and social media, IT service providers are looking to leverage the opportunity by tailoring their offerings with next-generation technologies, developing in-house solution frameworks and accelerators, collaborating with the buyers to invest in innovation, setting up labs and CoEs to demonstrate and evaluate proof-of-concepts, and forming alliances with leading platform providers.

**In this research, we analyze the current trends and the future outlook for large, multi-year application outsourcing relationships for the global insurance sector. We focus on:**

- Trends in AO in the BFSI segment
- Market trends and activity for large AO relationships in insurance
- Emerging priorities of buyers and key investment themes in insurance AO
- Future outlook for 2015-2016

**The research also captures key movements in volume/value of insurance AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months.**

## Scope of this report

- **Industry:** Insurance (Life, annuities, and pension; property and casualty; and reinsurance)
- **Services:** Large (TCV<sup>1</sup>>US\$25 million), multi-year (more than three years), and annuity-based application outsourcing
- **Geography:** Global
- **Sourcing model:** Third-party AO transactions; excludes shared services or Global In-house Centers (GICs)

<sup>1</sup> Defined in appendix

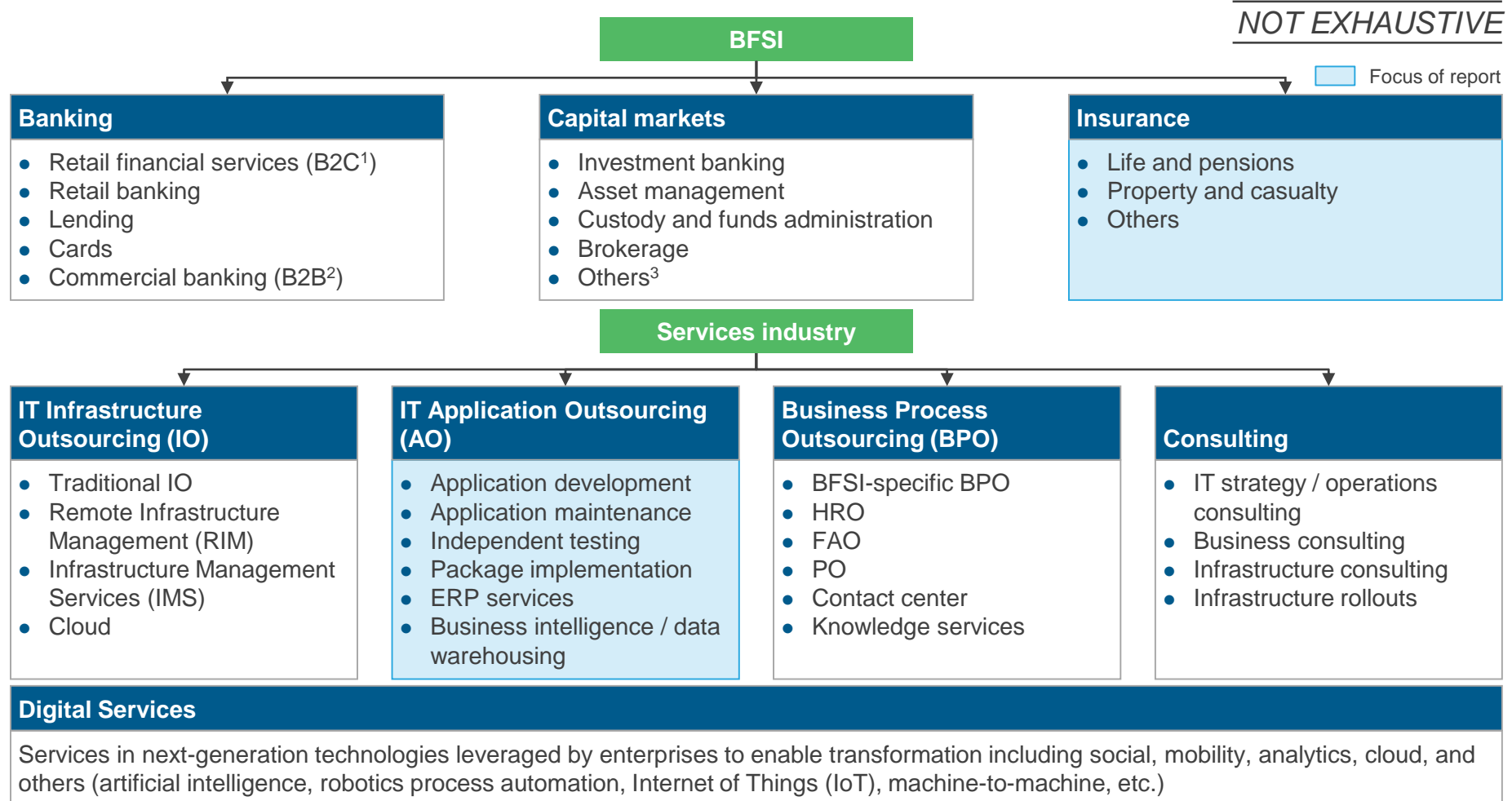
# Table of contents (page 1 of 2)

Topic	Page no.
Introduction and overview	6
Summary of key messages	12
<b>Section I: Emerging priorities of buyers and key investment themes in insurance AO</b>	<b>14</b>
• Summary	15
• Challenges faced by insurance firms	16
• Key business priorities	17
• Technology priorities	18
• Technology trends for life, annuities, and pensions subvertical	20
• Technology trends for property and casualty subvertical	21
• Key technology investment themes	23
• Implications for buyers and service providers	37
<b>Section II: Insurance AO overview</b>	<b>39</b>
• Summary	40
• BFSI ITO overview	42
• Trends and characteristics of new transactions in insurance AO	44
• Adoption trends – subfunctions, Line of Businesses (LoBs), geography, digital themes, and buyer size	48
• Pricing trends	53
• Offshore leverage	54

# Table of contents (page 2 of 2)

Topic	Page no.
<b>Section II: Insurance AO overview (continued)</b>	
• Delivery locations	55
• Renewals	57
• Insurance AO supply side view	58
<b>Section IV: Outlook for 2015-2016</b>	<b>59</b>
• BFSI ITO market	60
• Insurance AO	60
• Emerging priorities and key investment themes	60
<b>Appendix</b>	<b>61</b>
• Glossary of terms	62
• BFSI ITO research calendar	64
• References	66

# This report provides an insight into current trends and future outlook for large (TCV > US\$25 million), annuity-based, multi-year (> 3 years) application outsourcing relationships in the global banking sector



<sup>1</sup> Business-to-consumer relationships

<sup>2</sup> Business-to-business relationships

<sup>3</sup> Includes other capital markets functions such as structured finance, treasury, FX, and horizontal functions including risk management

# This report is a part of Everest Group's series of reports focused on ITO in BFSI in 2015

## IT Outsourcing in BFSI – Annual Report

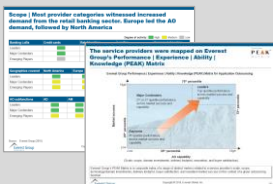


Each report provides:

- An overview of the application services market for the BFSI vertical, capturing key trends in market size, growth, drivers & inhibitors, adoption trends, regional/functional breakouts of the market, emerging themes, key areas of investment, and implications
- Key movements in volumes/values of AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months

- Global Banking
- Global Capital Markets
- **Global Insurance**

## IT Outsourcing in BFSI – Service Provider Landscape

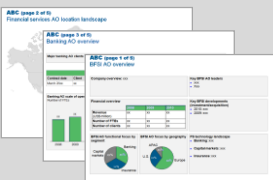


Each report provides:

- Assessment of the service provider landscape in AO services and mapping of providers on Everest Group's PEAK Matrix – as Leaders, Major Contenders, and Aspirants
- Benchmarking scale, scope, domain investments, and delivery footprint of each provider's BFSI-AO practice along with comparative evaluation of their BFSI-AO capabilities
- The 2015 BFSI-AO PEAK analyses focus on identifying the "Star Performers", i.e., providers with strongest forward movement over time – both in terms of market success and capability advancements

- Global Banking
- Global Capital Markets
- Global Insurance
- Banking and Capital Markets (BCM) in Europe
- Insurance in Europe
- Mobility in BCM
- Mobility in Insurance
- Analytics in BCM
- Analytics in Insurance
- Risk and regulatory compliance in BCM

## BFSI ITO – Service Provider Profile Compendium



Capability profiles of service providers capturing their AO services experience in specific subverticals. Each service provider profile includes:

- Service provider overview – details of AO services capabilities, key investments, proprietary solutions, and technological expertise
- Functional / Line of Business (LoB) focus
- Transactions overview for application services and delivery footprint

- Global Banking
- Global Capital Markets
- Global Insurance

## Enterprise Digital Effectiveness with APEX Matrix



Two reports as part of an "open source" evaluation of the digital effectiveness of the largest retail banks in United Kingdom and United States, as well as map them on Everest Group's APEX Matrix – as Leaders, Optimizers, Innovators, and Aspirants

- APEX Matrix for Digital in the U.S. retail banks
- APEX Matrix for Digital in the UK retail banks

# Everest Group's BFSI research is based on two key sources of proprietary information

1

- Everest Group's proprietary database of 500+ large, active, multi-year AO contracts within BFSI (updated annually through primary data collection via service provider RFIs)<sup>1</sup>
- The database tracks the following elements of each large AO relationship:
  - Buyer details including industry, size, and signing region
  - Contract details including TCV, ACV, term, start date, service provider FTEs, and pricing structure
  - Activity broken down separately for banking, capital markets, insurance, and by line of business (for example, investment banking, asset management, custody, fund administration, and brokerage)
  - Scope includes coverage of buyer geography as well as functional activities
  - Global sourcing including delivery locations and level of offshoring

2

- Everest Group's proprietary database of **operational capability of 20+ BFSI AO service providers** (updated annually through primary data collection via service provider RFIs)
- The database tracks the following capability elements for each service provider:
  - Major BFSI AO clients and recent wins
  - Overall revenue, total employees, and BFSI employees
  - Recent BFSI-related developments
  - BFSI AO delivery locations
  - BFSI AO service suite
  - Domain capabilities, proprietary solutions, and intellectual property investments

## Service providers covered in the analysis<sup>1</sup>

  
High performance. Delivered.

 Capgemini  
CONSULTING TECHNOLOGY OUTSOURCING

 CGI

 Cognizant

 CSC

 Dell Services

 HCL

 Hexaware  
TECHNOLOGIES  
YOUR SUCCESS IS OUR FOCUS

 hp

 IBM

 IGATE  
SPEAK. AGILE. IMAGINE.

 Infosys®

 L&T Infotech

 Mindtree

 Mphasis  
Unleash the Next

 SYNTEL  
Consider IT Done®

 TATA CONSULTANCY SERVICES

 Tech  
Mahindra

 virtusa®  
Accelerating Business Outcomes

 WIPRO  
Applying Thought

 ZenSar  
TECHNOLOGIES  
Your Transformation Partner

1 Assessment for Accenture, Capgemini, CSC, Hexaware, IBM, and Mphasis excludes service provider inputs and is based on Everest Group's proprietary Transaction Intelligence (TI) database, service provider public disclosures, and Everest Group's interactions with insurance buyers

Note: We continuously monitor market developments and track additional service providers beyond those included in the analysis

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information, that is contract-specific, will be presented back to the industry only in an aggregated fashion



# How to read this document

Information desired	Where/how to locate the information
Summary of key messages	<ul style="list-style-type: none"><li>• The section on key messages summarizes the insurance AO<sup>1</sup> market insights</li><li>• The key messages are categorized along two dimensions:<ul style="list-style-type: none"><li>– Insurance AO overview</li><li>– Emerging priorities of buyers and key investment themes in insurance AO</li></ul></li></ul>
Key facts or analyses related to a specific topic	<ul style="list-style-type: none"><li>• A section is devoted to each dimension of the summary of key messages (listed above)</li><li>• Each section contains detailed charts on relevant topics within a specific dimension</li><li>• Refer to the table of contents (pages 4 and 5) to identify relevant topics covered within each section</li><li>• Summary pages at the beginning of each section cover the key trends</li></ul>
Outlook for 2015-2016	<ul style="list-style-type: none"><li>• The section provides future outlook of the insurance AO market</li></ul>
Definitions of unfamiliar terms and related research	<ul style="list-style-type: none"><li>• Acronyms or technical outsourcing terms are defined in the glossary of terms (Appendix)</li><li>• Refer to the related Everest Group BFSI IT Outsourcing research publications listed in references (Appendix)</li></ul>

<sup>1</sup> Defined in appendix

# Overview and abbreviated summary of key messages

This report provides an overview of the application outsourcing (AO) market for the insurance industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US\$ 25 million in TCV and over three years in duration). The report analyzes key trends in market size and growth, demand drivers, adoption and scope trends, emerging themes, key areas of investment, and implications for service providers, with regards to such large insurance AO deals

**Some of the findings in this report, among others, are:**

## Insurance AO overview

- Number of new large AO deals (declined 31% over 2013) as well as their TCV were the lowest in the last five years (declined 81% over 2013) as major insurers faced IT spending cuts
- There was no major change in the share of deals with application development and maintenance in scope (76% and 88% respectively). Demand for testing services grew (55% of deals in 2014 compared to 52% in 2013) as the proportion of multi-scope deals with testing scope integrated with AD and/or AM increased in 2014
- AO activity declined for the life, annuities, and pensions subvertical due to reduced IT spending by the North American insurance firms serving this subvertical
- Industry witnessed a stable demand from property & casualty and specialty insurance firms
- Asia still continues to be the most cost-effective option for application outsourcing services delivery
- More than 104 large AO insurance deals with total TCV of US\$8.13 billion are coming up for renewal in the next five years

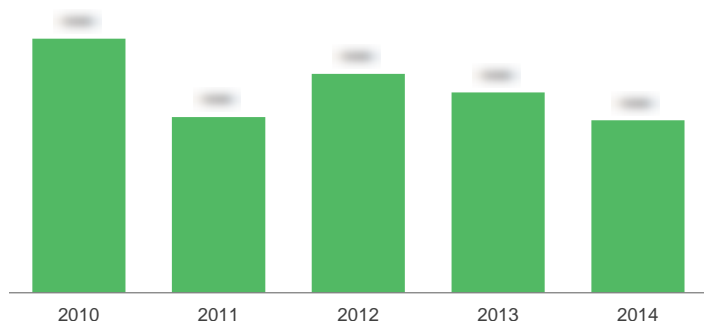
## Emerging priorities of buyers, and key investment themes

- Key technology investment themes identified in this report are in the areas of big data and analytics, connected ecosystem (IoT), cloud & legacy modernization, social media, mobility & gamification, and AI & automation

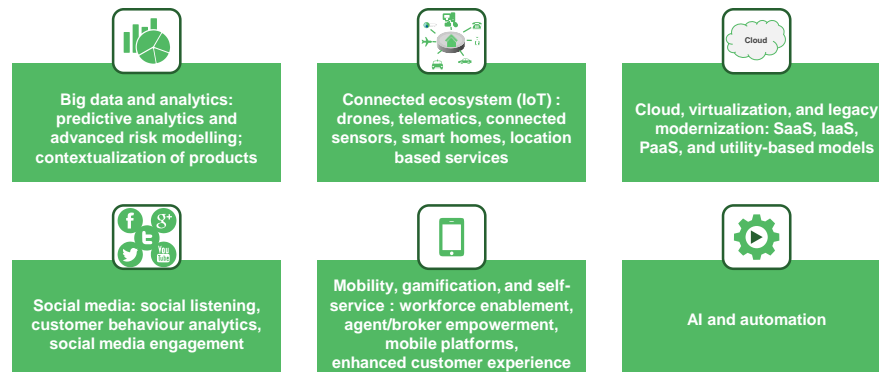
# This study offers three distinct chapters providing a deep dive into key aspects of insurance AO market; below are four charts to illustrate the depth of the report

## Trends for new large insurance AO contracts

Number of new insurance AO transactions  
2010-2014; Number of transactions announced

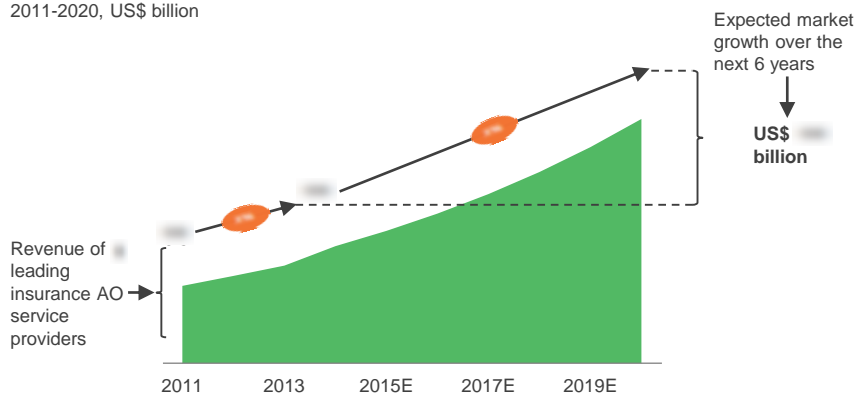


## Emerging priorities of buyers and key investment themes



## Supply side trends in insurance AO

Supply side view of insurance AO revenue  
2011-2020, US\$ billion



## Digital and regulatory compliance in insurance AO

Inclusion of digital themes and regulatory compliance in insurance AO transactions  
Percentage of transactions

100% = transactions with known scope details



Source: Everest Group (2015)

# BFSI ITO research calendar (page 1 of 2)

Published Current

Topic	Release date
Demand Trends in Mid-Tier and Super-regional Banks in the United States .....	April 2015
IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2015: Rise of the Challengers .....	June 2015
IT Outsourcing in Banking – Annual Report 2015: Riding the Digital Wave .....	June 2015
Digital Effectiveness in U.S. Retail Banking – Introducing the APEX Matrix™ to Identify the Digital Banking Leaders .....	July 2015
Digital Effectiveness in UK Retail Banking – Introducing the APEX Matrix™ to Identify the Digital Banking Leaders .....	July 2015
IT Outsourcing in Capital Markets – Annual Report 2015: Steering Through the Chaos .....	August 2015
IT Outsourcing in Global Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2015: A Crowded Marketplace .....	August 2015
IT Outsourcing in Banking – Service Provider Landscape Profile Compendium 2015 .....	September 2015
IT Outsourcing in Capital Markets - Service Provider Profiles Compendium – 2015 .....	September 2015
IT Outsourcing in Banking and Capital Markets in Europe – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....	November 2015
IT Outsourcing in Insurance – Annual Report 2015: The Digital Frontier .....	November 2015
Analytics in Banking and Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....	Q4 2015

# BFSI ITO research calendar (page 2 of 2)

Published

Current

Topic	Release date
Mobility in Banking– Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....	Q4 2015
Mobility in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....	Q4 2015
Payments trends in Global banking, capital markets, and insurance sector .....	Q4 2015
IT Outsourcing in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....	Q4 2015
Social media adoption trends in insurance sector .....	Q4 2015
Analytics in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....	Q4 2015
IT Applications Outsourcing in Insurance – Service Provider Profiles Compendium – 2015 .....	Q4 2015
IT Outsourcing in Insurance in Europe – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....	Q4 2015

# Additional research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest.

1. **IT Outsourcing in Banking – Annual Report 2015: Riding The Digital Wave** ([EGR-2015-11-R-1496](#)); 2015. This report provides an overview of the Application Outsourcing (AO) market for the banking industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US\$25 million in TCV and over three years in duration). The report analyzes key trends in market size & growth, demand drivers, adoption & scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2015 with regards to such large banking AO deals
2. **IT Outsourcing in Capital Markets – Annual Report 2015: Steering Through the Chaos** ([EGR-2015-11-R-1532](#)); 2015. This report provides an overview of the Application Outsourcing (AO) market for the capital markets industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US\$25 million in TCV and over three years in duration). The report analyzes key trends in market size & growth, demand drivers, adoption & scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2015 with regards to such large capital markets AO deals
3. **IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2015: Rise of the Challengers** ([EGR-2015-11-R-1479](#)); 2015. This report provides a comprehensive assessment of the service provider landscape in AO services for banking and maps the providers on Everest Group's PEAK Matrix. It also benchmarks the scale, scope, domain investments, buyer satisfaction, and delivery footprint of each provider's banking AO practice. Finally, the 2015 banking AO PEAK analysis focuses on identifying the "Star Performers," providers with the strongest forward movement over time in terms of market success and capability advancements

For more information on this and other research published by Everest Group, please contact us:

**Jimit Arora**, Vice President:  
**Ankur Seth**, Practice Director:  
**Aaditya Jain**, Senior Analyst:  
**Archit Mishra**, Senior Analyst:  
**Ronak Doshi**, Senior Analyst:

[jimit.arora@everestgrp.com](mailto:jimit.arora@everestgrp.com)  
[ankur.seth@everestgrp.com](mailto:ankur.seth@everestgrp.com)  
[aaditya.jain@everestgrp.com](mailto:aaditya.jain@everestgrp.com)  
[archit.mishra@everestgrp.com](mailto:archit.mishra@everestgrp.com)  
[ronak.doshi@everestgrp.com](mailto:ronak.doshi@everestgrp.com)

Website: [www.everestgrp.com](http://www.everestgrp.com) | Phone: +1-214-451-3000 | Email: [info@everestgrp.com](mailto:info@everestgrp.com)



## About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empowers clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at [www.everestgrp.com](http://www.everestgrp.com) and [research.everestgrp.com](http://research.everestgrp.com).

### Dallas (Headquarters)

info@everestgrp.com  
+1-214-451-3000

### New York

info@everestgrp.com  
+1-646-805-4000

### Toronto

canada@everestgrp.com  
+1-647-557-3475

### London

unitedkingdom@everestgrp.com  
+44-207-129-1318

### Delhi

india@everestgrp.com  
+91-124-284-1000

## Stay connected

### Websites

[www.everestgrp.com](http://www.everestgrp.com)  
[research.everestgrp.com](http://research.everestgrp.com)



### Twitter

@EverestGroup



### Blog

[www.sherpasinblueshirts.com](http://www.sherpasinblueshirts.com)

**SHERPAS**  
IN BLUE SHIRTS